

the arts estimated at \$121,601,200, the amount left available as money was about \$279,000,000, or more than five times the average of the years ending with 1890.*

It would be natural, under any theory of money, that this great addition to the monetary stock should have some effect upon prices and the condition of credit. Fundamentally, it is the supply of other things than gold which determines the ability of a community to build railways, houses, and factories. It requires rails and steel frames and machinery and labor. But the fact that these can under normal conditions be obtained for gold obscures the importance of the part they play, until the community is brought face to face with scarcity of supply in relation to demand or with scarcity of consumable goods necessary to the ordinary processes of life. The influx of new gold into bank reserves tends, other things being equal, to stimulate speculation in both securities and goods, whence may occur a rise in prices. The fact that the problem remains essentially one of capital and credit rather than of the stock of gold was demonstrated, however, by the conditions of the crisis of 1907. In spite of the outpour of gold from the mines at a rate never equalled or approached in the history of the race, demand outran supply, the new gold did not offset the maladjustments of capital, and the money market found gold an unsatisfying aliment when what was required was more saved capital in forms adapted to the continuance of production.

The effect of the war in South Africa was to cause a check to commercial expansion in Europe, which reacted powerfully upon the markets of St. Petersburg, Berlin, and Brussels. In Russia, newly dowered with the gold standard

¹ The figures of the Mint Bureau as to the industrial consumption of gold differ widely for different years, the tendency in recent years being apparently to raise the amount. Thus, for the United States alone industrial consumption was put for 1898 at \$13,565,879; for 1903 at \$29,063,551; and for 1906 at \$39,126,763. For the world the estimate for 1903 was only \$76,350,600, while for 1906 it was \$121,601,200.—*Finance Report*, 1907, 335.